2003-2004
SCN ANNUAL REPORT

A Modern Storyteller in the Ancient Tradition

Table of Contents

Letter of Transmittal	1
Message from the Board	2
Letter from the President and CEO	3
Our Vision	4
Storyteller	5
A Regional Voice in a National Context	6
Stories by Us, for Us, and About Us	7
Making Friends is Important	8
Win/Win	9
Teacher, Entertainer, and Keeper of Cultural Values	10
Connecting People... Where They Are	11
Accountable To You – Management Discussion and Analysis	12
SCN's 2003/04 Balanced Scorecard	13
SCN's Balanced Scorecard Targets 2004/05	16
Financial Report	18
Responsibility for Financial Statements	19
Auditors' Report and Financial Statements	20

The SCN Mandate:

SCN is the regional, public broadcaster that delivers cultural, informational and educational programming and acts as an enabler for the regional film and television industry.

Letter of Transmittal

104-06825/

Regina, SK

To Her Honour
The Honourable Dr. Lynda Haverstock
Lieutenant Governor of Saskatchewan

Your Honour:

I have the honour to submit the annual report of the Saskatchewan Communications Network Corporation (SCN) for the year ended March 31, 2004, including financial statements, in accordance with *The Communications Network Act*.

Respectfully Submitted,

Joan Beatty
Minister Responsible for SCN

Message from Board Chair

SCN has had a remarkable year, and is poised to grow into the future. Sincere best wishes to former President and CEO, David Debono, who left at the end of 2003 for new career opportunities, and welcome to Ken Alecxe, who is now filling the role.

Since joining us early in 2004, Ken Alecxe has already led several innovative new initiatives. Under his guidance, SCN has embarked on a five-year strategic direction to achieve the new vision of SCN as the pre-eminent Prairie and Northern storyteller that embraces pimātsiwen, the Cree word for life in all its harmony.

Moreover, SCN has further developed its three pillars of service: the Broadcast Network, the E-Learning Network, and the Technical Services Network. We are supporting the film and television industry in more ways than ever. Through it all, SCN is meeting the needs of the people of our region, by providing the infrastructure for distance learning, and by telling stories that are by us, for us and about us.

I am excited about the opportunities ahead, and look forward to continued growth in this thriving environment.

Diana Milenkovic
Chair, SCN Board of Directors

SCN Board of Directors, 2003/04

Diana Milenkovic, Chair
Terry Paley, Vice Chair
Angie Gélinas
Kelly Miner
Gail Schuster
Kennetch Charlette

Letter from the President and CEO

I'm excited to join the team in this organization that I have been involved with for many years. My years of diverse experiences working on projects that span our province have showed me the importance of connecting people.

That is why I am proud to help steer SCN on its important course of connecting people throughout our region: through access to relevant regional productions and distance learning opportunities that otherwise might not exist. Through continual technical upgrading to enable connectivity to Prairie and Northern people, SCN staff and management are striving, in alliance with our partners, to use a cohesive and collaborative approach to connect people wherever they live and work. We are also working to diversify our revenue streams to add value to our current levels of service.

I look forward to pragmatically moving forward with this team to meet the strategic goals we have set to achieve our vision as a modern storyteller in the ancient tradition.

Ken Alecxe
CEO and President
SCN

SCN Executive Team

Ken Alecxe, President and Chief Executive Officer

Richard Gustin, Executive Director, Programming

Twyla MacDougall, Executive Director, Finance, Strategic Planning and Human Resources

David Stanchuk, Manager, Technology

Linda Payeur, Manager, Production

Maureen MacDonald, Manager, Communications and Marketing

Jim Johns, Manager, Information Systems

Our Vision:
SCN will be the pre-eminent, Prairie and Northern storyteller that stimulates pride, optimism and harmony: pimātsiwen.

Storyteller

Humans are born with an instinctive need to communicate. Long before we had any kind of media, long before even the written word, we communicated by telling each other stories.

In 2003, the SCN executive developed a new corporate direction, incorporating a strong vision with guiding principles. Once approved by the SCN Board of Directors, comprehensive strategies were developed to guide SCN toward that vision.

What does it mean to be the modern storyteller for the Prairies and the North? It means continuing the ancient traditions wherein the role of storyteller is one of the most important roles in the community. It means sharing stories that are high in educational value, and conveying the history and culture of our community and its people. It means being teacher, entertainer, and keeper of cultural values.

Pimātsiwen!

Pimātsiwen is the Cree word for life in all of its harmony, and it's an important part of our vision.

Through the lens:
SCN as regional storyteller

SCN plays a pivotal role in telling relevant stories to the people from the Prairies and the North – stories told by us, about us and our place in the world, delivered through the lens of a camera.

Stories are shared through the three pillars of our service:

- The Broadcast Network
- The E-Learning Network
- The Technical Services Network

We're growing bigger and better

The 2003-04 annual public opinion survey shows the SCN audience is growing – as a direct result of the popularity of our original regional programming. We conduct research and invite feedback so we can continually improve to meet our viewers' needs.

A Regional Voice in a National Context:

A vital part of the economy

For every dollar invested by SCN, the Saskatchewan film and video industry generates almost $10 – that makes us a vital part of the economy.

SCN Broadcast Network

Through the SCN Broadcast Network, we provide stories that share our own unique regional voice within a national context. On cable, wireless and satellite television systems throughout the province, SCN provides programs as dynamic and diverse as the people of our region.

While more channels are available than ever before, SCN is the only broadcaster operated and controlled within the province. We've seized the opportunity to develop a critical niche for the people of our region, providing culturally relevant, educational television.

Supporting our local industry

By airing film and television that's produced in our region, we're supporting our own growing industry. By partnering with producers who work right here at home, we're helping them get their stories out.

One of the ways we are supporting our local industry is though our Regional Series Pilot Project, a three-year pilot initiated in 2003, which promotes a strong regional identity by building a new regional series genre.

"SCN helped me get started and today, eight years of growth later, I say thank you from the bottom of my heart."

"Over eight years ago, when I was just starting out, SCN came to bat for me with my first documentary. I have the SCN acceptance letter framed on the wall beside my desk and credit them with the growth and success I have achieved in the film industry here at home in Saskatchewan. Today, with Dacian poised for even greater growth, I say thank you."

Jarret Rusnak, President, Dacian Productions

Stories by Us, for Us, and About Us

Regional programming

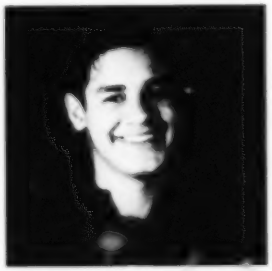
The SCN Broadcast Network gives Prairie and Northern people a relevant alternative to traditional TV media, keeping us informed and connected. Local producers tell SCN their support is critical to their success, and all of our stories are delivered without paid media commercials.

SCN broadcasts more regional content than any other local broadcaster. In fact, since our inception in 1989, SCN has worked with 165 Saskatchewan producers on 615 different productions.

We remain committed to increasing the regional content on the Broadcast Network so we can grow our relevance to SCN viewers. Our most recent survey shows that our SCN audience is growing, and in a multi-channel universe where audiences are fragmented, that is significant.

Regional Series

- Life Without Borders
- High School Confidential
- Long Shadows
- Sweetness in Life
- Sharing Circle
- Agribiz
- Generations
- InCulture
- The Health Show
- Entertainment West
- Overtime
- Good Company
- Prairie Hands
- The Prairie Eye
- Prairie Night at the Movies



Bronson Pelletier
Renegadepress.com

"The show is really powerful because it's not fiction and young people are going to be able to understand it and relate to it," says Bronson. "It's not candy coated like other teen shows ... it's more direct and hard hitting."

Bronson Pelletier stars as Jack Sinclair in a new youth dramatic series renegadepress.com launched in 2003 by award-winning Saskatchewan-based Verite Films. Bronson enjoys what the new series has to say about young people and the issues they face.

Relevant Regional content

A full 25% of the 6,022 hours of programming broadcast on SCN is regional content – productions by, for or about the Prairie and Northern region. And 76% of our original programming resources go toward financing regional productions.

Making Friends is Important

Sponsors are "friends" too

Individuals and corporations have opportunities to be directly associated with a regional program or series. This supports the production of SCN programs and provides branding opportunities to the sponsor.

The Friends of SCN Campaign...and beyond

2003 marked our second year of the Friends of SCN campaigns: on-air pledge drives that invite our viewers to show their support and contribute to our success through donations.

Because we air all of our programs commercial-free, SCN does not generate advertising revenues. Our pledge drives are important for two reasons: they help us raise funds for more programming options, and to raise awareness about our relevant programming for people in the Prairies and the North. The campaign helps us raise our profile in our community, and gives us opportunities to reach our loyal viewers and receive their feedback.

In fact, beyond reaching out through our "Friends" pledge drive three times a year, SCN is also building relationships with community organizations to get our message out far and wide. It helps us reach our audience and ensure our programming is relevant. It all fits with our vision of telling stories about the culture of our community.

Deb and Tim Greening and their son Dylan operate Land O' the Loon Resort in Anglin Lake, deep in the heart of the arboreal forest of Northern Saskatchewan. In 2003, they donated two Friends of SCN campaign grand prizes – a vacation getaway to their resort.

"We are dedicated SCN viewers, especially of the real life documentaries that expose parts of our culture we don't get to experience first-hand. We believe public broadcasting is worthy of support, and were happy to donate the vacations at our resort – to share our culture and landscape of woods and water with another 'friend of SCN.' In return, we benefit from the television publicity generated during the pledge drives."

Tim, Deb and Dylan Greening Land O' the Loon Resort

Win/Win

SCN offers strategic alliance opportunities

SCN welcomes opportunities to collaborate on innovative projects that will result in relevant regional content for broadcast and that expand the use of our technical infrastructure. To that end, we are seeking to develop strategic alliances with government, community organizations and corporate partners, so we can share our expertise in public broadcasting, television production, distance education and connectivity.

An alliance with SCN allows organizations to benefit from available air time on either the SCN Broadcast Network or the SCN Technology Services Networks. As a satellite television provider, we can give organizations a televised venue for exchanging views or providing training to widely dispersed employees.

It's all about shared opportunities to work together telling stories of mutual interest and public benefit.

Strategic alliance opportunities include:

- Town Hall Forum: Live television with a panel and studio audience where the television audience at home can participate by telephone.
- Television Program or Series: Programming produced specifically for public education that can be broadcast by the network, or in some cases developed and pre-licenced with the financial participation of SCN.
- Interstitials: 2 – 12 minute productions scheduled on the Broadcast Network between programs.
- Public Service Announcements or Programs: Information-based programming produced by not-for-profit stakeholder groups or organizations.
- Satellite Conferencing: Businesses and organizations can provide training opportunities for employees, clients and the general public using our satellite television conferencing from one to many points.
- Connectivity: Satellite wide area computer network platform to extend connectivity anywhere in North America.

SCN provides and maintains a reliable technical infrastructure

SCN's technical platform utilizes the world wide Digital Video Broadcasting Standard which allows for the flexible, efficient transmission of services including:

2 E-Learning Channels

1 Public Broadcasting Channel

1 Legislative Network Channel

1 Data Channel

Teacher, Entertainer, and Keeper of Cultural Values

Serving Saskatchewan students

Each year, about 3,000 Saskatchewan students take part in distance education credit courses televised on the E-Learning Network.

Serving Saskatchewan teachers

The SCN Help Desk responded to 3,707 calls from teachers and site coordinators requiring technical assistance to operate and maintain their E-Learning Network sites.

Enabling life-long learning

SCN's partnership with Saskatchewan Learning and the public education system provides educational opportunities through the E-Learning Network. It's an effective and efficient way to connect the rural and remote people of our province with the urban, and provide them with critical life-changing educational opportunities.

In the future, continued advancements to our technical infrastructure will support new approaches to distance education. As we move forward, we will blend the latest technologies to ensure the best and most effective delivery systems are used to enhance the educational experience.

SCN E-Learning Network

SCN connects people in remote areas through the latest technology and it's making a difference! Through the E-Learning Network, SCN delivers televised distance education: these are more formalized stories told by instructors to secondary and post-secondary students.

SCN is a vital link in our education system, providing the infrastructure that gives students in remote areas access to higher education. We partner with Saskatchewan's universities, colleges, SIAST and the public education system to deliver credit courses to over 230 school and regional college classrooms in more than 200 communities.

Jennifer Mamer, lives in Stoughton, Saskatchewan. Her highschool did not offer calculus 30, a class Jennifer thought was necessary to prepare her for university but thanks to E-Learning, her opportunities are not limited by her location.

"My experience with the distance education program was very positive. The class was run much the same as a regular class would be except that when students had questions rather than simply raising their hand they would call in and ask the question on air. For me the e-learning provided a great deal of help in my university career and was an experience I feel very fortunate to have had."

Connecting People...Wherever They Are

SCN Technology Services Network

SCN Technology Services Network provides a state-of-the-art infrastructure for interaction and advanced satellite high speed computer networking and connectivity that enhances life long learning. By using the latest technology to ensure signal quality and reliability, we help tell stories that inform and bring us closer to the wider world around us.

Our Technical Services Network includes:

- Digital Satellite Network: DSN2 operated by SCN and funded by Saskatchewan Learning and Keewatin Career Development Corporation, will improve access to CommunityNet for 77 SaskLearning schools, and 73 First Nations schools by Autumn 2004. This technology can support secure private networking, always on internet access and videoconferencing for education, tele-health, government services or private sector use.
- Saskatchewan Legislative Network: We upgraded to the latest available technology to improve signal quality and reliability. Now better than ever, the public can watch history unfold in the Saskatchewan Legislative Assembly via the SLA Network, delivered to homes through our satellite distribution services.
- Special Events Network: SCN bridges the gap between traditional educational methods and telecommunications-based education and training with the Special Events Network. SCN delivers professional developmental workshops across the province enabling government and private sector clients to train cost effectively and efficiently.

We enable lifelong learning and professional development

We've equipped 31 Special Events Network sites throughout Saskatchewan! Delivering professional development just got easier and more efficient for SCN clients.

Randy McLeod
E Learning Teacher
Campbell Collegiate

"SCN's satellite delivered connectivity helps ensure a quality of education in rural schools. With the addition of the new two way high speed internet it expands our reach to the most remote schools in the province working to ensure that every resident has access to a variety of educational opportunities."

Randy McLeod has been teaching at a distance for more than a decade. He leads workshops and conferences across Saskatchewan and Canada sharing his expertise as an E Learning teacher.

Accountable to You - Management Discussion and Analysis

As Saskatchewan's public regional broadcaster, we are accountable to the people of our region. SCN strives to achieve this through an annual strategic planning process and effective performance measures.

I. Strategic Planning Process

The Saskatchewan Communications Network Corporation is currently preparing a five-year strategic plan to achieve its mandate as *"the regional, public broadcaster that delivers cultural, informational and educational programming and acts as an enabler for the regional film and television industry"*.

The current strategic review process is inclusive with involvement of all staff and consultation with various external stakeholders. A draft working document was approved by the SCN Board of Directors in March 2004 with finalization to occur over the summer months. This plan includes the following strategic goals:

- To expand SCN's viewing audience, funding, programming and reach
- To continuously improve quality in branding, programming and production
- To ensure the development of regionally relevant content and regional production through our relationship and support for the film and video industry
- To enable connectivity between Prairie and Northern communities and people
- To establish SCN as an organization that focuses on continuous improvement

II. Performance Management

At SCN, we are implementing new measures of accountability to our stakeholders, and striving to increase SCN's capacity through the effective management of fiscal and staff resources. SCN's performance and results are measured utilizing a Balanced Scorecard (based on Kaplan and Norton's model developed in 1996). The Scorecard focuses on financial performance, customer satisfaction, process renewal and employee growth. These measures align with SCN's strategic goals. The success of this, or any, performance tool is the linkage to the corporation's vision and mandate. This performance tool is effective as it:

- Provides for improved performance and accountability
- Provides a balanced evaluation of operational and financial results, activities and achievements
- Increases employee commitment and involvement

In keeping with our performance management strategy delivered by the Government of Saskatchewan, the following are the key components of SCN's 2003-04 Balanced Scorecard, including a discussion of results. The scorecard is not static; it may change from year to year as the corporation's business changes.

SCN's 2003/04 Balanced Scorecard

Financial Management

The future provincial funding estimates reveal further declines over the next four years. SCN's challenge is to embrace the vision and mandate while operating in an environment with declining provincial funding and rapid technological changes.

Objective	Measure	Results 2003-04	
		Target	Actual
- Increase Friends of SCN	Number of friends/revenue earned	1,000/ $37,500	522/ $31,000
- Increase corporate underwriting and sponsorship	Revenue earned	$50,000	$39,000
- Increase Special Event Network clients	Number of clients/ revenue earned	3/$50,000	6/$72,000
Operational efficiency	Cumulative expense reduction in the year	N/A	$176,000

Financial Management Results

Internal control and thinking outside the box are keys to financial security. SCN continually reviews and monitors all expenses. Evidence of this diligence was realized upon investigation and implementation of an innovative approach to satellite delivery. SCN realized savings of approximately $176,000 in the 2003/04 fiscal year while ensuring the same level of service.

Stakeholders

As a public service entity SCN is accountable to the residents of Saskatchewan. To remain relevant, SCN will continually assess its environment and the needs of its stakeholders.

Objective	Measure	Results 2003-04	
		Target	Actual
Understand viewer needs	Survey – audience needs	Annual survey	Achieved in February
An enabler of economic development within Saskatchewan Independent Film and Video Industry	- Number of new regional productions	4	4
	- Renew a percentage of current regional program inventory	75%	80%
An enabler of connectivity to rural and remote locations	Number of trouble calls	2652	3,707

Stakeholder Results

Viewer feedback indicates that 85% of Saskatchewan residents felt public broadcasting was important and 84% agreed that it was important to have a television channel that provides a forum for discussion of issues of concern and interest to Saskatchewan and prairie people. 76% of the original programming budget is spent on Saskatchewan productions. The Film and Video Industry benefits from this commitment, typically, for every dollar SCN contributes to a Saskatchewan production, ten times the amount is generated in production activity. The Corporation is proud to be a Saskatchewan company and looks forward to continuing to meet the needs of our stakeholders.

SCN's 2003/04 Balanced Scorecard

Financial Management

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[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

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[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

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Business Growth

As a public broadcaster, a supporter of the independent film and video industry and an enabler of distance education and connectivity, SCN consistently strives to *"expand horizons"* through its products and services.

Objective	Measure	Results 2003-04 Target	Actual

Business Growth Results

Given the current broadcast environment – more channels to choose from than ever before – SCN made considerable progress to increase the viewing audience from 26% to 30%. Strategic alliances, such as the agreement with Canadian Broadcast Network Corporation (CBC) to have SCN air the Saskatchewan portion of Canada Now, are vital to the growth of regional programming when operating within a limited budget.

Employee Growth and Learning

The challenges within SCN's environment require a strong and flexible organization able to adapt to continuous change.

Objective	Measure	Results 2003-04 Target	Actual

Employee Growth and Learning Results

Position and process reviews were undertaken to provide clarity to incumbents, ensure congruency to strategic goals and provide a snapshot in time of position expectations. This together with full staff involvement in the strategic planning process has fostered improved employee morale and commitment to objectives.

Business Growth

As a public broadcaster, a supporter of the independent film and video industry and an enabler of distance education and connectivity, SCN consistently strives to *"expand horizons"* through its products and services

Objective	Measure	Results 2003-04	
		Target	Actual
Increase regional programming broadcast	Percentage of broadcast content	27%	30%
Increase viewing audience	Survey – percentage increase	26%	30%
Develop strategic alliances	Number of business alliances	1	2
Expand focus on viewer and corporate support	- Number of friends/ revenue earned	1,000/ $37,500	522/ $31,000
	- Corporate revenue earned	$50,000	$39,000
Expand SCN's networks beyond Saskatchewan borders	Prepare proposal document	1	1
Work with government stakeholders on next phase of CommunityNet	Recommendation and implementation plan	document	document

Business Growth Results

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Employee Growth and Learning

The challenges within SCN's environment require a strong and flexible organization able to adapt to continuous change

Objective	Measure	Results 2003-04	
		Target	Actual
Review work processes and job descriptions	Number of positions reviewed	17	11
Provide professional development opportunities	Percentage of staff participating in training and conferences	58%	68%
Build and monitor employee satisfaction	Number of employee sick days utilized	140	126
Work toward a representative workforce	- Post all vacancies with equity group associations	All	All
	- Number of diversity awareness sessions	1	0

Employee Growth and Learning Results

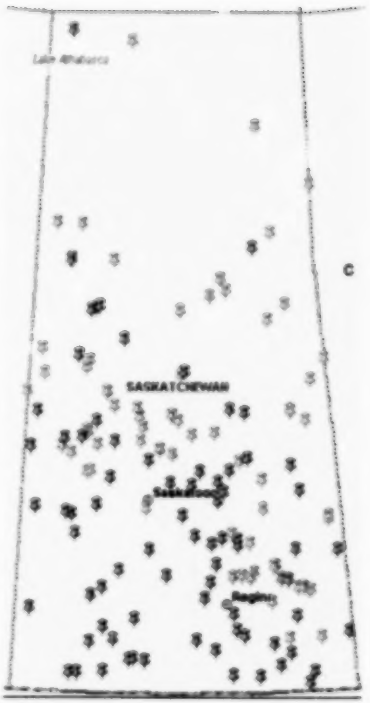
Position and process reviews were undertaken to provide clarity to incumbents, ensure congruency to strategic goals and provide a snapshot in time of position expectations. This together with full staff involvement in the strategic planning process has fostered improved employee morale and commitment to objectives.

III. 2004-05 OUTLOOK

SCN is proving itself to be a leader in providing educational television that is exciting, dynamic, accessible and relevant; and a vehicle for keeping people of our region in touch with their communities. To remain relevant, SCN will continually assess its environment and risks and the needs of its stakeholders.

The expectations for the year ahead include forward-looking statements about SCN specifically, its objectives, strategies and financial condition, and the Saskatchewan economy in general. A statement is forward-looking when it uses information known today to make an assertion about the future. Since these forward-looking statements reflect expectations and intentions at the time of writing, actual results could differ materially from those anticipated if known or unknown risks and uncertainties impact the business, or if estimates or assumptions turn out to be inaccurate. The challenge is to embrace the SCN vision and mandate while operating in environments that experience constant and rapid change.

The following are SCN's key components of the year ahead as detailed within the Balanced Scorecard.



SCN's Digital Satellite Network serves 150 rural and remote schools delivering high speed internet.

SCN's Balanced Scorecard Targets 2004/05

Financial Management

The future provincial funding estimates reveal further declines over the next four years. Utilizing prudent fiscal management, SCN is expecting to maintain a balanced budget in the coming year (2004/05).

Objective	Measure	2003-04 Actual	2004-05 Target
- Increase Friends of SCN	Number of friends/ revenue earned	522/ $31,000	900/ $55,000
- Increase corporate underwriting and sponsorship	Revenue earned	$39,000	59,000
- Maintain Special Event Network clients	Number of clients/ revenue earned	6/$72,000	5/$60,000
Investigate technical innovation and resale opportunities	Number of new clients for high speed internet	N/A	1
Operational efficiency	Cumulative expense reduction in the year	$176,000	$260,000

Stakeholders

As a public service entity SCN is accountable to you – the residents of Saskatchewan. To remain relevant, SCN will continually assess its environment and the needs of its stakeholders.

Objective	Measure	2003-04 Actual	2004-05 Target
Understand viewers needs	Survey – audience needs	Completed survey	1
Establish and maintain long-term relationships with stakeholders	Conduct survey with Film and Video Industry	0	1
An enabler of economic development within Saskatchewan Independent Film and Video Industry	- Number of new regional productions	4	3
	- Renew a percentage of current regional program inventory	80%	50%
An enabler of connectivity to rural and remote locations	- Number of locations receiving SCN's signals, Saskatchewan Learning sites/cable companies	260/203	280/215

Business Growth

As a public broadcaster, a supporter of the independent film and video industry and an enabler of distance education and connectivity, SCN consistently strives to *"expand horizons"* through its products and services.

To encourage growth and capture new opportunities SCN will capitalize on the current marketing niche and fill this void by offering regionally relevant programming. SCN is a vehicle for keeping people of our region in touch with their communities and beyond.

Objective	Measure	2003-04 Actual	2004-05 Target
Increase regional programming broadcast	Percentage of broadcast content	27%	30%
Increase viewing audience	Survey – percentage increase	30%	33%
Develop strategic alliances - Centennial Celebration alliance	- Number of new alliances	1	3
Expand focus on viewer and corporate support	- Number of friends/ revenue earned	522/ $31,000	900/ $55,000
	- Corporate revenue earned	$39,000	$59,000
Expand SCN's networks beyond Saskatchewan borders	- Number of cable companies added	N/A	1
	- Report on results of pilot additions	N/A	report
Identify technological opportunities to increase reach	Number of locations receiving SCN's signals – Saskatchewan Learning sites/cable companies	260/203	280/215
Establish and deliver the second generation of two-way high speed satellite internet	Number of sites upgraded and serviced	N/A	162

Employee Growth and Learning

The challenges within SCN's environment require a strong and flexible organization able to adapt to continuous change.

Objective	Measure	2003-04 Actual	2004-05 Target
Review work processes and job descriptions	Number of positions reviewed	11	5
Renew Board of Director's obligations and procedures	Update the board governance training manual	1 document	2 documents
Provide professional development opportunities	Percentage of staff participating in training opportunities	68%	100%
Build/monitor employee satisfaction	Annual employee survey	N/A	Survey
Work toward a representative workforce	- Post all vacancies with equity group associations	All	All
	- Number of diversity awareness sessions	0	1

SCN's Balanced Scorecard Targets 2004/05

Financial Management

The future provincial funding estimates reveal further declines over the next four years. Utilizing prudent fiscal management, SCN is expecting to maintain a balanced budget in the coming year (2004/05).

Objective	Measure	2003-04 Actual	2004-05 Target

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Objective	Measure	2003-04 Actual	2004-05 Target

Employee Growth and Learning

The challenges within SCN's environment require a strong and flexible organization able to adapt to continuous change.

Objective	Measure	2003-04 Actual	2004-05 Target

Financial Report

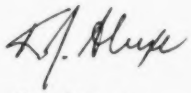
Responsibility for Financial Statements

The financial statements for SCN have been prepared by the management of SCN in conformity with accounting principals generally accepted in Canada.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of SCN. Management is responsible for the system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, properly approved, and result in reliable financial statements.

An audit committee, composed of members of the SCN Board of Directors, meets periodically with management and a team of independent auditors. These auditors have free access to this committee, without management present to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

The financial statements have been examined and approved by the SCN Board of Directors. Independent auditors have performed an audit of SCN, which has enabled them to express their opinion on SCN's financial statements.



Ken Alecxe
President and CEO

Auditors' Report

To the Members of the Legislative Assembly,
Province of Saskatchewan

We have audited the balance sheet of **Saskatchewan Communications Network Corporation** as at March 31, 2004, and the statements of revenue, expenses and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Virtus Group LLP

May 6, 2004
Regina, Saskatchewan

Chartered Accountants

BALANCE SHEET

AS AT MARCH 31, 2004

	2004	2003
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,562,354	$ 1,332,839
Accounts receivable and accrued interest	81,887	81,493
Inventory and prepaid expenses	121,406	180,592
	1,765,647	1,594,924
Capital Assets (note 3)	549,933	711,248
	$ 2,315,580	$ 2,306,172
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 761,842	$ 503,628
Funds under administration **(note 4)**	27,614	17,511
Unearned revenue	0	279,931
	789,456	801,070
EQUITY		
Equity in capital assets **(note 5)**	549,933	711,248
Appropriated retained earnings - capital reserve **(note 6)**	200,000	200,000
Un-appropriated retained earnings	776,191	593,854
	1,526,124	1,505,102
	$ 2,315,580	$ 2,306,172

Commitments **(note 7)**

Signed on behalf of the Board

, Director

, Director

see accompanying Notes to the Financial Statements

STATEMENT OF REVENUE, EXPENSES AND RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
REVENUE		
Grant from the Government of Saskatchewan - General revenue fund	$ 5,765,000	$ 7,319,000
Data transmission over satellite	546,444	532,091
Video transmission over satellite	329,746	267,924
Interest	35,784	38,931
Project administration and miscellaneous	34,940	21,857
Corporate sponsorship	39,000	0
Membership	30,897	14,620
	6,781,811	8,194,423
EXPENSES (note 10 and 11)		
Program acquisition costs	2,656,310	2,304,333
Program development and production costs	208,825	662,228
Program support	381,131	339,059
Network distribution	1,791,095	3,072,280
Administration	1,173,739	1,332,305
Depreciation	549,689	484,084
	6,760,789	8,194,289
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	21,022	134
UNAPPROPRIATED RETAINED EARNINGS - BEGINNING OF YEAR	593,854	301,337
Allocation (to)/from equity in capital assets (note 5)	161,315	292,383
Appropriation (to)/from capital reserve (note 6)	0	0
UNAPPROPRIATED RETAINED EARNINGS - END OF YEAR	$ 776,191	$ 593,854

see accompanying Notes to the Financial Statements

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants received	$ 5,765,000	$ 7,319,000
Interest received	38,190	36,707
Fees received for goods and services	698,296	675,694
Net cash receipts (payments) for funds under administration	10,103	(37,913)
Cash payments to suppliers and employees	(5,893,700)	(7,779,992)
Cash flows from operating activities	617,889	213,496
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payments for purchase of capital assets	(388,374)	(191,701)
Increase in cash and cash equivalents	229,515	21,795
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	1,332,839	1,311,044
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 1,562,354	$ 1,332,839
Cash and cash equivalents consist of:		
Short-term investments	0	1,195,782
Bank balances	1,562,354	137,057
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 1,562,354	$ 1,332,839

See accompanying Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

1. STATUS OF CORPORATION

Saskatchewan Communications Advanced Network Authority (SCAN) was established by an order-in-council January 11, 1989 under the Crown Corporations Act, 1978. SCAN was continued as Saskatchewan Communications Network Corporation (SCN) under the Communications Network Corporation Act, 1990. Accordingly, the financial results of the corporation are included in the summary financial statements of the Province of Saskatchewan. As a provincial Crown corporation, SCN is not subject to federal income tax, provincial income tax, federal large corporations tax or goods and services tax.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Inventory

Inventory, consisting of blank video tapes, is recorded at the lower of cost, determined on a first-in, first-out basis, and net realizable value. Inventory, consisting of receivers, satellite antennae and routers, is recorded at the lower of weighted average cost, and net realizable value.

b) Revenue recognition

The government operating grant is recognized in the year received. Other government contributions are recognized as revenue in the fiscal year in which the related expenses are incurred.

Other revenues are recognized when the related service is provided.

c) Program acquisition and production

Program acquisition and production costs are expensed as incurred.

d) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements.

e) Capital assets

Capital assets are recorded at cost less accumulated depreciation. Depreciation is calculated as follows:

Office equipment and furniture	Declining Balance	30%
Uplink development	Declining Balance	30%
Computer hardware	Declining Balance	40%
TVs, VCRs, satellite dish and video receivers	Declining Balance	40%
Fax machines and audio conferencing units	Declining Balance	50%
Computer software	Declining Balance	60%
Network alignment	Straight Line	3 years
Data transmission equipment	Straight Line	3 years
Scheduling computer software	Straight Line	5 years
Network configuration	Straight Line	5 years
Office renovations & upgrades	Straight Line	6 years
Digital video compression equipment	Straight Line	9 years

3. CAPITAL ASSETS

The components of the capital assets as well as the related accumulated depreciation are:

	2004			2003
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Office equipment and furniture	$ 530,310	$ 310,611	$ 219,699	$ 156,753
Uplink development and network configuration	898,567	685,395	213,172	171,542
Computer hardware	489,939	433,696	56,243	68,935
TVs, VCRs, cameras, satellite dishes and receivers	510,804	502,479	8,325	12,666
Fax machines and conferencing units	31,652	31,426	226	452
Computer software	239,663	201,852	37,811	13,972
Digital video compression equipment	1,341,474	1,332,396	9,078	18,138
Data transmission equipment	909,909	904,530	5,379	268,790
	$ 4,952,318	$ 4,402,385	$ 549,933	$ 711,248

4. FUNDS UNDER ADMINISTRATION

The Corporation administers funds on behalf of related parties, in accordance with the terms of contracts between the Corporation and the related parties.

5. EQUITY IN CAPITAL ASSETS

	2004	2003
Balance - beginning of year	$ 711,248	$ 1,003,631
Allocation (to)/from retained earnings	(161,315)	(292,383)
Balance - end of year	$ 549,933	$ 711,248

6. CAPITAL RESERVE

This appropriation has been established to provide for the replacement and upgrading of satellite receivers and other technical equipment. Amounts may be transferred from the reserve on the authority of the Board of Directors.

	2004	2003
Balance - beginning of year	$ 200,000	$ 200,000
Allocation (to)/from retained earnings	0	0
Balance - end of year	$ 200,000	$ 200,000

7. COMMITMENTS

a) Productions

At March 31, 2004 the Corporation had commitments totaling $17,500 (2003 - $14,023) representing the estimated costs to complete productions in progress.

b) Broadcast and duplication rights

At March 31, 2004 the Corporation had commitments totaling $1,006,568 (2003 - $1,080,866) for the acquisition of broadcast and duplication rights.

c) Satellite transponder

The Corporation has contracted with vendors for transponder space at an estimated cost for 2004-2005 of $1,714,540 (2004 - $1,586,992). Included in this total is $833,000 to support the Internet over Satellite Initiative. Saskatchewan Learning commits to covering this cost.

d) Head end contract

The Corporation has a contract with the University of Saskatchewan, a related party, for the operation of SCN's master control. The contract cost for 2004-2005 is $666,644 (2004 - $653,572). The contract extends to April, 2006.

e) Backhaul contract

The Corporation contracts with vendors for signal transportation services at an estimated cost for 2004-2005 of $364,350.

f) Site Licence to operate a telecommunication facility

The Corporation has a contract with the Canadian Broadcast Corporation (CBC) for a site licence to uplink the SCN signal. The contract cost for 2004-2005 is $48,000. The contract extends to August 31, 2005.

g) Property lease agreement

The Corporation has a contract with the Saskatchewan Property Management Corporation (SPMC), a related party, for the lease of accommodation space. The contract cost for 2004-2005 is $194,000. The contract extends to June 30, 2007.

h) Lease agreement for broadcast scheduling software

The Corporation contracts with vendors for the lease of broadcast scheduling software. The contract cost for 2004-2005 is $57,600.

8. RELATED PARTY TRANSACTIONS

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since all are controlled by the government.

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which SCN is related. The more significant of these are SaskTel, Saskatchewan Property Management Corporation (SPMC), the Saskatchewan Legislative Assembly (SLA), SIAST, and the regional colleges. Also, SCN is related to non-crown enterprises that the government jointly controls or significantly influences. Account balances resulting from these transactions are included in the balance sheet and are settled on normal trade terms.

The following table summarizes SCN's major related party transactions that are in the normal course of operations. These transactions are recorded at exchange amounts agreed to by the related parties.

	2004	2003
Revenues		
SPMC for data transmission over satellite	$ 542,797	$ 271,020
SLA for distribution of proceedings	258,004	178,504
Saskatchewan Health for satellite conferences	8,522	20,929
Expenses		
Administration		
SPMC for accommodation and renovation expense	$ 230,292	$ 188,774
SaskTel for telephone operating costs	20,027	29,351
SPMC for general operating costs	124,989	89,035
Program development - Universities, SIAST	0	596,000
Network distribution		
Regional Colleges/SIAST for operation of Training Network sites	0	790,500
SaskTel for video and audio signal transport services, and telephone operating costs	23,532	156,140
SPMC for backhaul	66,317	78,942
Accounts Receivable at March 31, 2004		
SPMC for data transmission over satellite	9,431	0
Accounts Payable at March 31, 2004		
SaskTel for backhaul, uplink, and telephone charges	3,068	16,373
SPMC for general operating costs	11,158	10,977

Other transactions with related parties, including their terms of settlement, are described separately in the financial statements and notes therein.

9. FINANCIAL INSTRUMENTS

The Corporation's recognized financial instruments consist of accounts receivable, accounts payable and funds under administration. The Corporation does not have any financial assets or financial liabilities which are not recognized in the financial statements.

a) Fair values

The fair values of the above noted financial instruments approximate their carrying value due to the short-term nature of these instruments.

b) Credit risk

The Corporation is exposed to credit risk from the potential default of customers. However, the majority of the Corporation's receivables are from related parties, other government corporations and agencies. Therefore the credit risk is minimal.

10 COMPARISON OF PLANNED AND ACTUAL RESULTS OF EXPENSES

	2004		2003
	Budget	Actual	Actual
Operating Expenses			
Program acquisition costs	$ 2,307,235	$ 2,656,310	$ 2,304,333
Program development and production costs	494,186	208,825	662,228
Program support	377,117	381,131	339,059
Network distribution	1,676,796	1,791,095	3,072,280
Administration	1,139,307	1,173,739	1,332,305
Administration – depreciation	122,887	122,887	111,247
Network distribution - depreciation	426,802	426,802	372,837
Total	$ 6,544,330	$ 6,760,789	$ 8,194,289
Capital Expenditures			
Administration	$ 261,500	$ 175,949	$171,420
Network distribution	160,000	212,425	20,281
Total	$ 421,500	$ 388,374	$191,701

11 CLASSIFICATION OF EXPENSES BY OBJECT

	2004	2003
Salaries (including benefits)	$ 1,297,854	$ 1,420,911
Communications	303,931	329,402
Administration - Operations	516,164	570,594
Programming - General	1,404,862	1,347,291
Programming - Educational	209,409	811,945
Other production and acquisition costs	784,966	661,960
Carriage	1,695,992	1,751,110
Regional college operational grants	0	790,500
Network operations	547,611	510,576
Total	$ 6,760,789	$ 8,194,289

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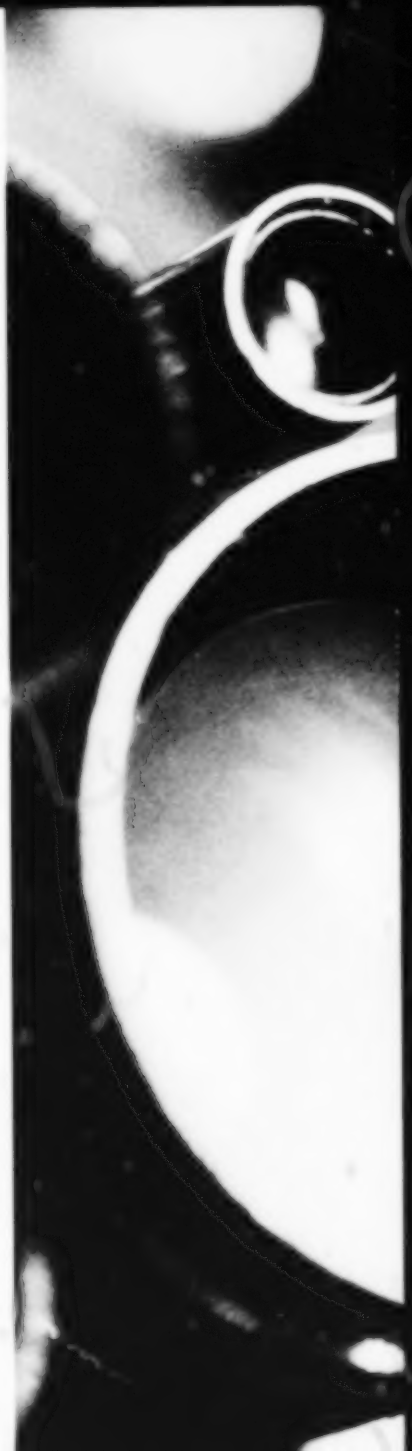

Saskatchewan Communications Network (SCN)
2003-04 Payees

Listed are payees who received $20,000 or more for the provision of goods and services, including office supplies, communications, contracts and equipment

4 Square Productions Canada Lt	$	27,600.00
AgriBiz TV		22,000.00
Arcas Strategic Marketing Group		24,806.32
BBC Worldwide		56,700.00
Bell ExpressVu		720,783.36
Big Soul Productions		20,100.00
Birdsong Communications Ltd.		77,373.26
Blue Hill Productions		24,250.00
Broadview Software		30,358.52
Canadian Broadcasting Corporate		125,458.34
Cinepost Productions		53,000.00
Cinequipwhite		26,022.68
Distributions La Fete		52,000.00
GEOKIDS Productions		33,800.00
Granada		125,500.00
Incandescent Films		47,000.00
Matrix Video Communications Co		31,011.21
McFlett Productions		41,830.00
McNabb & Connolly		53,675.00
MGM Communications		147,044.40
Minister of Finance		40,363.74
National Film Board		21,028.82
Open University		31,000.00
Penguin		23,000.00
Renegade Press Productions		80,000.00
Saskatchewan Property Management Corporation		421,596.88
SaskTel		47,356.28
Soundings Steele Inc.		45,267.27
Southern Star		42,000.00
Specialty Data Systems Inc.		39,999.96
Telesat Canada		962,038.23
Tickle Scratch Productions		26,000.00
University of Saskatchewan		664,056.00
zu.com communications inc.		26,222.07
Payees Under $20,000		1,112,587.69
	$	**5,322,830.03**

Saskatchewan Communications Network (SCN)
2003-04 Payees

Listed are individuals who received payments for salaries, benefits, honourariums, etc. which total $2,500 or more

Allan, Rod	$	21,984.73
Alecxe, Ken		31,436.71
Brooks, Heather		5,755.98
Capili, Ben		55,892.08
Cardinal, Rhyse		40,573.85
Cumberland, Robert		35,909.46
Debono, David		122,341.58
Ennis, Trevor		43,002.37
Frederickson, Cory		42,303.57
Gelowitz, Veronica		53,329.27
Gibbons, Rebecca		36,200.16
Gustin, Richard		105,465.09
Hillstead, Robert		5,755.98
Huntley, Krista		8,020.14
Jarocki, Leanne		48,748.78
Johns, Jim		80,464.73
MacDonald, Maureen		10,744.75
MacDougall, Twyla		82,576.84
McDonald, Joanne		35,366.78
McTaggart, Karin		19,232.20
Moriarty, Terry		49,151.58
Norman, Brent		54,694.39
Payeur, Linda		55,883.66
Shotter, Kristi		33,282.07
Stanchuk, David		86,059.46
Westmoreland, Cherie		77,308.98
Zander, Celeste		35,197.57
	$	**1,276,682.77**
	$	**6,599,512.80**